The Business Plan

Agenda

- Introduction
- Business plan basics
- Developing your plan
- Do you need a loan?
- Getting through the process

Overview of SBDC Services

- Free and confidential business advising
- Low-cost workshops
- Resources to help grow your business

South-West Texas Border Small Business Development Center Network
The University of Texas at San Antonio

Institute for Economic Development
Small Business Development Center
The University of Texas at San Antonio

A Partnership Program with the U.S. Small Business Administration

Institute for Economic Development

- Small Business Development Center, offers free confidential counseling, low cost workshops and training seminars
- Minority Business Development Center, helps existing small to medium sized businesses in expansion mode
- San Antonio Technology Center, works with small businesses, defense contractors and technology entrepreneurs
- National Information Clearing House-SBDCNET, provides custom research for SBDC counselors/clients

Institute for Economic Development

- International Trade Center, offers technical import/export assistance to small & medium, foreign market research and global trade leads
- Human Capital Program, provides direct assistance with employment practices, laws, and regulatory compliance
- South West Trade Adjustment Assistance Center, helps manufacturers certified as adversely affected by imports
- Center for Economic Development, provides assistance to governments and organizations engaged in economic and community development, in South Texas

Business Plan Development

- Feasibility Analysis
- Funding Needs
- Loan Proposal Structuring
- Lender Evaluation
- SBA Eligibility/Credit

Statistics (Review)

Did you know that America's 25 Million small businesses:

- Employ more than 58 percent of the private workforce
- Generate more than 51% of gross domestic product
- Are the principal source of new jobs

Small Business Administration, 2002

Why Business Planning?

According to the U.S. Department of Commerce, over 80% of new businesses fail within the first five years - and about half of them don’t make it through the first year.

Key Business Success Factors

- Quality
- Price
- Suppliers
- Capital
- Technology
- Location
- Distribution
- Service
- Advertising
- Relationships

Business Plan Basics

- Feasibility first
- Your audience and goal
- FAQs
  - How long should it be?
  - How long will it take to finish?
  - Business plan vs. financial proposal
  - Can I get 100% financing?

Your goal impacts the content and length of the

Structuring Your Plan

- **Cover Letter**
- **Table of Contents**
- **Mission Statement**
- **Executive Summary**
- **Plan**
- **Appendices**

Business Plan Outline

- Mission Statement
- Operations
- Market Analysis
- Sales Strategy
- Management Profile
- Financials
- Supporting Documents

Mission Statement -

- Focus
- Purpose
- Values

Business Description

- Name and location of business
- Principal owners
- Legal structure
- Status
- Definition of products/services
- Major strengths and challenges
- Strategic goals & objectives

Definition of Products/Services

- Narrative
- NAICS & SIC Codes
- Illustration
- Competitive comparison

Business Goals and Objectives -

- Must be specific
- Measurable, able to track easily
- “Short and Sweet”, (3-4 items)
  - Dollar (or unit) sales, %growth
  - Market share, profits margins
- Specific planning horizon (timeline)

Operational Requirements

- Location
- Facility & Equipment
- Bookkeeping
- Supply
- Labor

Create a “virtual reality, 3-D walkthrough” of all the physical aspects of the

Market Analysis

- Description of total market
  - Present size
  - Type of customers
  - Growth potential
  - Economy
  - Changing Lifestyles
  - Demographics

Market Research

- Market Research
  - Industry trends
  - Description of total market
  - Competitive analysis
  - Demographic information
  - Documentation of demand for product or service

Research Strategies

Free Small Business Resources Online

SBDC National Information Clearinghouse
http://sbdcnet.utsa.edu

Links of interest for entrepreneurs. Of particular interest is the Industry Research section.

SIC/NAICS
U.S. Census Bureau
http://www.census.gov/epcd/www/naics.html

Identify the SIC and/or NAICS code for your line of business

Small Business Administration
http://sba.gov/

Research Strategies

Wage Setting Information

U.S. Department of Labor - Bureau of Labor Statistics

http://www.bls.gov/bls/blswage.htm

Identify wages for specific occupations on a national, regional, state, or Metropolitan Statistical Data (MSA) level.

America's Career InfoNet

http://www.acinet.org//acinet/select_occupation.asp?stifips=&next=occ_rep

Wages and trends by occupation and state.

Demographics

American FactFinder from the U.S. Census Bureau

http://factfinder.census.gov

View demographic information by a state, county, city, or zip code level.

Encyclopedia of Associations

Research Strategies

Industry Trends

BizJournals

http://www.bizjournals.com/

Search Business Journals to find relevant business articles. Free site. Searchable by industry and market (i.e. city).

FindArticles

http://www.findarticles.com/

Search for articles from numerous leading academic, industry and general interest publications.

Industry Links

http://www.irs.gov/businesses/small/industries/index.html

Competitors/Suppliers

SuperPages

http://www.superpages.com/

Searchable by keyword by city, state or zip code.

(Target) Market Analysis

- Size of target market
- Market share you anticipate
- How to attain/keep market share
- How can you expand your market/market share
- What is customer profile
- What is primary & secondary trade area

(Demand) Market Analysis

- Documentation of demand for product or service
  - Signed contracts
  - Letters of interest or commitment
  - Market surveys
  - Industry statistics

(Competitive) Market Analysis

- Competition
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats

Competitor Analysis

Competitor SWOT Analysis

	Product or Service	Price	Place	Promotion	Strengths & Weaknesses	My Competitive Advantages
My Business						
Comp. #1						
Comp. #2						
Comp. #3						
Comp. #4						

Future Competitors

- Possible new entrants
- Change in customer life style
- Shifts in customer population
- Change in buying patterns
- Internet impact
- Product obsolescence

(Differentiation) Market Analysis

- Product/Service Differentiation
  - Unique niche (patents, trademarks, copyrights)
  - Business advantages
    - Product
    - Quality
    - Customer service
    - Price
    - Location/Convenience
- Value Added Proposition

Sales Strategy

- Pricing
- Distribution Channels
- Promotional efforts
  - Advertising
  - Personal selling
  - Publicity
  - Sales promotions
  - Customer conveniences

Sales Plan

- Pricing policy
  - Mark-ups
  - Discounts
  - Relationship between price and image projection
  - Competition

Sales Plan

- Methods / Venue for Sales – Direct & Indirect
  - Storefront
  - Traveling Salesman
  - E-commerce
  - Wholesalers
  - When & where needed
  - “What if” plans

Sales Plan

- Promotion strategy
  - Advertising
    - Direct mail
    - Signage
    - Radio and/or TV
    - Newspapers
    - Trade shows
    - Novelties
    - Directories (Yellow pages)
    - Internet

Sales Plan

- Personal selling
  - Customer service
  - Knowledgeable staff
  - Complimentary products/services
  - Community involvement
  - Networking

Sales Plan

- Publicity
  - Press release
  - Special event coverage
  - Feature story
  - Grand Openings - Ribbon Cuttings

Sales Plan

- Customer conveniences
  - Major credit cards
  - Delivery
  - Free parking, easy access
  - Telephone / on-line orders
  - Hours of operation

Management Profile

- History of key personnel
  - Management experience
  - Education
  - Industry experience
- Duties and responsibilities
- Compensation Plan
- External advisory resources

For the startup business owner, this serves as your "application for business ownership"

Financial Analysis

- Project costs
- Sources and Uses
- Capital Equipment List
- Income/Profit & Loss
- Cash Flow
- Balance Sheet
- Breakeven Analysis
- Ratios
- Personal financials

Financial information must correspond with the narrative section.

Project Costs

DESCRIPTION	AMOUNT
Building	$75,000
Land	$20,000
Remodeling/Improvements	$30,000
Fixtures & Equipment	$8,500
Furniture	$1,000
Outdoor Sign	$1,500
Inventory	$25,000
Deposits	$5,000
Association Fee	$200
Advertising	$1,800
License, Permits, Insurance	$500
Office/Operating Supplies	$200
Loan Fees (% of Loan)	$6,300
Working Capital	$25,000
TOTAL STARTUP COSTS	$200,000

EXACTLY HOW MUCH WILL YOUR PROJECT COST?

Sources and Uses

Description	Loan	Owner Injection	Total
Inventory	**$4,000**	**$21,000**	**$25,000**
Furniture & Equipment	**$11,000**		**$11,000**
Land	**$20,000**		**$20,000**
Building	**$75,000**		**$75,000**
Improvements	**$30,000**		**$30,000**
Deposits		**$5,000**	**$5,000**
Working Capital		**$25,000**	**$25,000**
Organizational Costs		**$9,000**	**$9,000**
TOTAL	**$140,000**	**$60,000**	**$200,000**

Funding Formula:

Loan + Owner injection = Total project cost

Income/P&L Statement

	Year 1
Gross Sales	$300,000
Less COGS	$218,000
Gross Profit	$82,000
Less Operating Exp.	$58,000
Profit before Tax	$24,000

Cash Flow

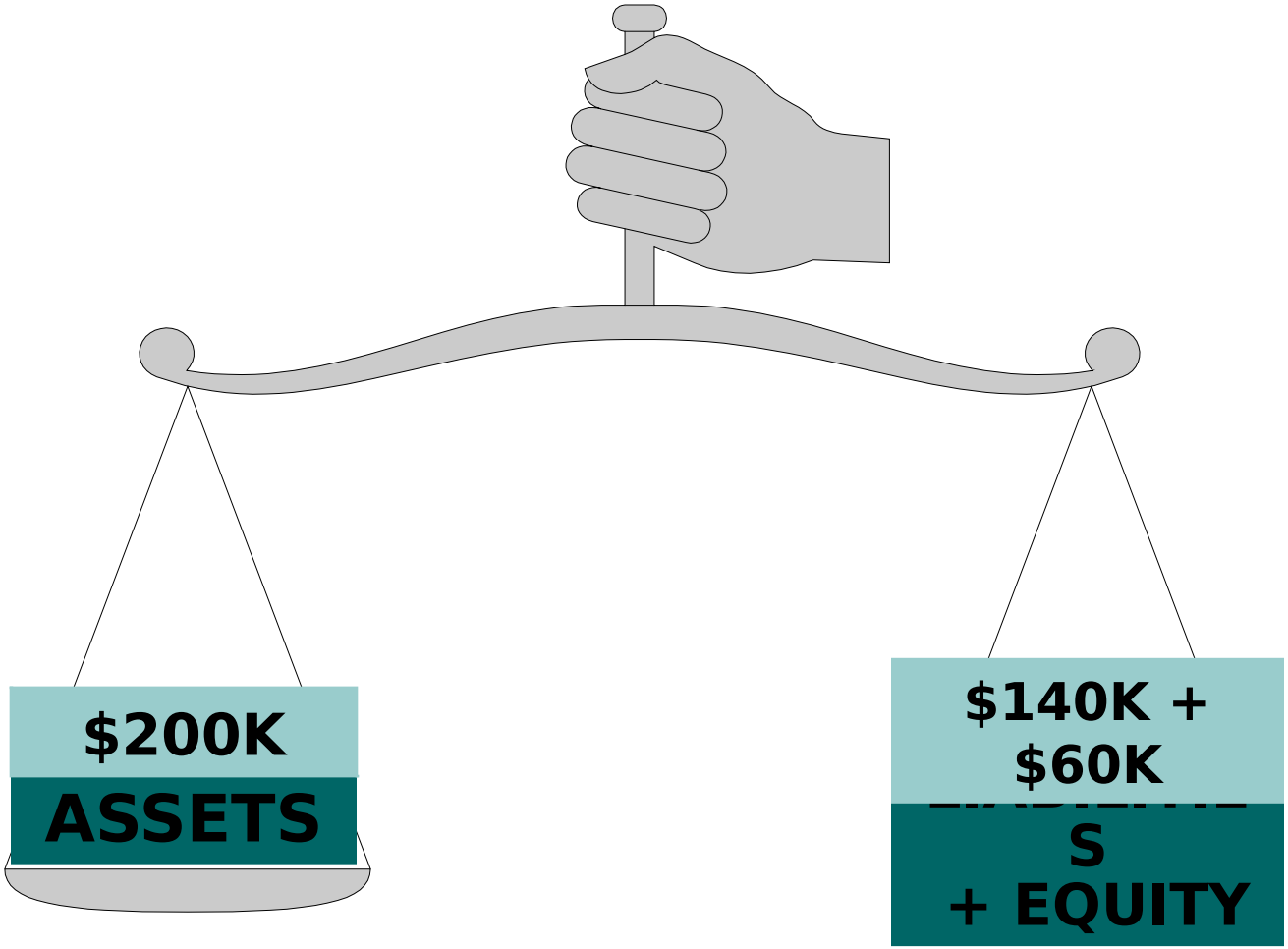
	Month 1	Month 2	Month 3
Cash on Hand	**25,000**	**23,000**	**24,000**
Plus Revenues	**12,000**	**19,000**	**22,000**
Available Cash	**37,000**	**42,000**	**46,000**
Less Expenses	**14,000**	**18,000**	**20,000**
End of Month	**23,000**	**24,000**	**26,0000**

Reasonable assumptions

Seasonality

Aging of accounts receivable

Balance Sheet



Personal Financial Data

Personal Balance Sheet

- **Resources**
- **Obligations**
- **Dependence on business**

Credit Report

For the startup business, historical repayment patterns are the only way to base

Lender Evaluation

These “C”s relate to establishing reasonable assurance of repayment ability.

- **Cash Investment**
  - **Personal equity**
- **Capability**
  - **Experience**
- **Capacity**
  - **To repay**
- **Credit History**
  - **To banks requirements**
- **Cash Flow**
  - **From business**
- **Conditions**
  - **Local**
  - **competitive**
- **Collateral**
  - **Bank Value Gap**
  - **SBA Gty**

SBA Loan Guarantees

- **Types**
- **Basic eligibility**
- **Benefits**
- **Where to begin**

Common Mistakes

- Not communicating with banker
- Underestimating Costs
- Overestimating Revenues
- Poor pricing strategy
- Under-capitalization
- Lack of contingency plans

Action Steps

1. Define your products and services
2. Research the potential size of your target market
3. Define your target market
4. Evaluate the target market percentage that you reasonably expect
5. Analyze the competition’s strengths and weaknesses
6. Describe how you are going to obtain customers and sales

Business Plan Basics

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